

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Thursday 25 June 2015**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **INTERNAL AUDIT PROGRESS REPORT**

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Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

This report informs Members of recent audit activity across the Council and provides updates on matters arising from the last Audit Sub Committee. It covers:-

- 3.1 Priority One Recommendations
- 3.28 Audit Activity
- 3.29 Publication of Internal Audit Reports
- 3.32 Auditor of the Year
- 3.34 VfM arrangements
- 3.36 Housing Benefit Update
- 3.40 Other Matters
- 3.41 Risk Management

2. **RECOMMENDATION(S)**

- a. **Note the Progress report and comment upon matters arising.**
- b. **Note the list of Internal Audit Reports publicised on the web.**
- c. **Note the nomination for Auditor of the year.**
- d. **Note the continuing achievements of the counter fraud benefit partnership with the Royal Borough of Greenwich and impending changes.**
- e. **Note the arrangements around risk management.**

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
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Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £540K including £174K fraud partnership costs
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries
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Staff

1. Number of staff (current and additional): 6 FTE including 0.5 FTE risk officer post
 2. If from existing staff resources, number of staff hours: 209 audit days per quarter is spent on the audit plan and fraud and investigations with 110 days per annum bought in from LB Wandsworth to augment the audit plan but excluding RB Greenwich investigators time
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Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 110 including Chief Officers, Head Teachers and Governors
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable.

3. COMMENTARY

- 3.1 The latest list of outstanding priority one recommendations is shown in Appendix A. There has been just one addition detailed below since the last meeting of this Committee. There has also been some movement in priority one recommendations brought forward that are detailed below.
- 3.2 Progress on implementation of recommendations for Insurance (none outstanding priority one recommendations out of a previous total of 11 priority ones-see part 2); Fixed Penalty Notices (2 outstanding priority ones out of 6- see part 2). The rest of the updates are detailed below. Family Placements (6 outstanding priority ones and 1 partially implemented out of 8 priority ones made); Looked After Children (2 outstanding priority ones out of 2 priority ones made); Leaving Care (2 outstanding priority one recommendations and 6 partially implemented out of a previous total of 9 priority ones made); Building Maintenance (none outstanding out of 1priority one made); Creditors (1 outstanding priority one recommendation out of 1priority one made). There is also a brief reference below to the outstanding priority one recommendations on Rent Arrears and the Transition Team.

3.3 Family Placements

- 3.4 The audit was carried out as part of the 2014/15 audit plan and was at the request of the Assistant Director –Safeguarding and Social Care. As a result of our findings we issued a nil assurance and there were 8 priority one recommendations in respect of overpayments, children’s savings, legal orders, special guardianship orders, kinship allowances, residence orders, adoption allowances and training. Internal Audit have interviewed managers and carried out some testing on recommendations made within the report. Our findings are shown below.
- Overpayments-Individual cases were discussed. One case for about £21K is being put forward for debt recovery action to recover monies. There has been no further action on this case to date. Another case for £10K has since been paid in full. For the smaller amounts of debt, the Head of Service is meeting with the Strategic Commissioner monthly to ensure that these cases are reviewed regularly. Recoupment of overpayments are now automatic from foster carers. A movement form has been introduced to ensure that if there is change within the placement, the Brokerage team are alerted. However, Internal Audit were informed that going forward this form will not be suitable once there is a transfer from Carefirst to Eclipse. Therefore, the movement form is on hold. All relevant documentation has been updated to incorporate recovery of overpayments such as fostering contracts, procedures etc. Foster carers were notified regarding their responsibility in respect of overpayments which was sent out in autumn 2014. Internal Audit requested the latest aged debt report as at 12/5/15. The level of overpayments had decreased from £72,757.68 to £56,592.61 but the large overpayment remains outstanding. The review of the respite rates remains outstanding and further work is required. Foster carer retainers continue to arise and require adjustments to be made to recoup monies.

For fostering payments it was found that one carer received a top up to the fostering allowance. This was paid when the fostering rates changed in 2011/12, however, some carers would receive less money under the new scheme, so it was decided to pay a top up payment per week to those carers. Commissioning reviewed these cases and this top up was due to end in January 2015. However, this continued until queried by Internal Audit. Enhanced rates were also found to be in payment for 3 cases for which the relevant approval was located.

- Savings – Management has advised that the savings policy has been clarified with carers. This was notified to carers via the newsletter and is also included within the foster carers’ handbook. This has been partially implemented as although a savings policy has been written, it has not been evidenced that the savings are considered as part of the review process.

- Legal Orders-Internal Audit was advised that the Head of Social Care, CYP (East) had written to all their staff to ensure that all legal orders are uploaded to Carefirst/Carestore including backdating. Testing showed that in some instances Residence Orders and in one case a Special Guardianship Order could not be located.
- Connected Person (Kinship)- Management advised that a huge piece of work has been undertaken in relation to the classification of these cases (and others) within Carefirst. Testing showed that in respect of the cases tested, some cases had not received the uplift to the allowances when the rates changed and therefore the incorrect allowance rates have been paid. Internal Audit have been notified that these have since been amended. The projected annual spend for this service area is £277,508.
- Residence Orders- Management confirmed that welfare checks are now undertaken annually. The Residence Orders are now 50% of the fostering maintenance allowance. Audit testing revealed that legal orders could not be located for some of the sample and all rates in payment could not be verified or reconciled to expected rates. It should be noted that some of these rates may have originated from when these allowances used to be financially assessed but none of the rates reconcile back to the agreed rates for residence allowances. The original files were also not available for review. Welfare checks are being undertaken but in a different approach i.e. the carer is being telephoned to confirm if everything is going well within the placement. Previously, the school that the child was attending was also contacted when this function fell under Commissioning. The projected annual spend for these allowances is £305K. Management had previously confirmed that all residence order allowances had been reviewed in September 2014 but the Head of Service confirmed that this had not been undertaken and that this had probably referred to the welfare checks. The Auditor was advised that a few welfare checks (approx. 5) are out of date.
- Adoption Allowances- The responsibility of this has since transferred to the Deputy Group Manager, Adoption Support who is supported by a Finance Officer. The Finance Officer undertakes consistent calculations. All documents have been updated accordingly. Individual cases have been reviewed and a decision taken to leave the current rates, there was minimal backdating and minor adjustments. If relevant documents are not provided to the Authority to confirm whether or not there has been a change in an individual's circumstances then after two requests payments are ceased. Audit testing showed that the adoption allowances in payment could be supported by the financial assessments. No further issues arose
- Special Guardianship Orders- The Head of Service, Care & Resources referred to a report that went to the Safeguarding and Corporate Parenting Executive Working Party in January 2015. Within that report, it is stated that by November 2014 the number of children and young people being supported in special guardianship placements had increased substantially, some 370% increase in numbers between 2011/12 and 2014/15. It would appear that the increase in Special Guardianship Orders are a direct result of changes within Care Proceedings whereby extended family members are being viewed more favourably by the Courts as suitable carers. All documents have now been scanned onto the system. The Deputy Group Manager now manages the whole process. It has not been possible to recruit an SGO Officer. The priority one recommendation related to regular financial assessments, rates paid and classification issues. Testing found that when reviewing the financial assessment this could not be reconciled back to the allowance in payment. Seven out of ten cases tested remain in query in respect of the allowance in payment and one legal order could not be located. It should be noted that for one further case tested a financial assessment could not be located so will be undertaken next month. The projected annual spend for these allowances is £861,950.
- Training-Management confirmed that a considerable amount of training has been undertaken. All administration staff have also been put forward to undertake the Financial Regulations and Contract Procedure Rules training. It was found that staff still were to complete this training

and new staff have also joined the service and have not been put forward to complete this mandatory training

- There will be a full follow up audit report to the above recommendations in 2015/16, but from discussions with management it does indicate that there has not been satisfactory progress to implement them. One recommendation on Adoption Allowances has been fully implemented, Savings has been partially implemented. Six other priority one recommendations remain outstanding.
- It should be noted that the Group Manager for Fostering & Adoption left at the end of May 2015 and there is a new post holder in place who is currently a locum. Management had previously indicated that progress on implementation was underway however testing undertaken indicates that this has been slow. Management are aware of the issues and that there needs to be progress from the original nil assurance opinion before the next audit of this service.

3.5 Leaving Care (Payments to Clients)- A previous audit of this area resulted in a nil assurance opinion and 9 priority one recommendations were reported. The issues were in respect of the effectiveness of the overall controls for cash handling, supporting documentation, monitoring, reconciliation and review of pathway plans. At the previous meeting Members were updated on the progress made by management to implement the 9 priority one recommendations identified in the audit review. Although it was acknowledged that the service had made significant improvements to the procedures relating to payments to leaving care clients and cash handling within the division, these procedures had only been operational for a short time and the recommendations were therefore left as outstanding to be tested at a follow up review.

3.6 Interviews with the Head of Service, Group Manager and the Leaving Care Team (LCT) monitoring officer documented current working practices. A sample was selected from the current LCT clients, February/March 2015 purchase card transactions and the 2014/15 transaction report generated from ORACLE to test these procedures. The findings of the follow review up is discussed in the paragraphs below with an opinion as to whether the recommendation has been implemented, partially implemented or is still outstanding.

- **Policies and Procedures:** The monitoring officer had reviewed the existing procedures and updated where appropriate. These procedures are held on the shared area and a hard copy manual complete with all forms retained in the LCT office for reference. The procedures are incomplete; the monitoring officer has temporarily suspended revision given the priority to clear the backlog of records and maintain a daily operational monitoring function. It was also noted that the new arrangements for petty cash have not been included as these are still evolving. Audit testing has identified areas that need to be clarified and agreed for example inclusion of the T number, updating the client payment record, accounting for refunds and scanning documents to upload to CareStore. Recommendation is partially implemented.
- **Documents to Support Payments and Authorisation:** The Head of Service had introduced new arrangements for the use of petty cash, improving control, accountability, physical security and to comply with Financial Regulations. At year end there was a shortfall of £218 declared on the £5K imprest managed by Children Services. Finance have conducted an investigation to account for the missing funds and identified a series of discrepancies that will need to be discussed with management and indicate a need for Financial Regulations training for the post holders involved with the imprest. Internal Audit will be liaising with management and Finance to remedy the issues identified. From the sample testing it was evidenced that the authorisation for the Request For Finance (RFF) forms, actioned on the team site had been overwritten if the initiating officer goes back into the record to amend any details; this does not allow an adequate audit trail. There was also insufficient detail on the RFF to allow cross reference to scanned documents and the payment record to confirm supporting

documentation. It was evidenced that there are procedures in place that should control the authorisation process; on line authorisation of RFF is effective and the transfer of petty cash scanning and uploading to the full time Finance Officer has shared a time consuming task but it is too soon to evaluate the effectiveness of these changes. Similarly the monitoring officer is still working through the back log of documents left by the previous post holder. Resources had been allocated to scan documents but these are held in a general folder and not allocated to individual accounts. Sample testing showed that there were no scanned documents for June and July 2014 on CareStore for the selected client. This recommendation is outstanding, although the department can evidence that there is a planned objective to remedy outstanding issues and provide a controlled procedure going forward. The issues regarding the imprest will generate a new recommendation.

- **Cash Payments to Bank Accounts:** For the sample of clients there was a completed, signed form confirming their bank details held on a summary record available in the shared area. The majority of clients receive funding by BAC transfer. At the time of the follow up, 11 clients received their weekly allowances by cash and this was evidenced and controlled by a weekly sheet, duly authorised. There was no evidence of officers depositing cash to client bank account in the follow up testing. This recommendation has been progressed to implementation.
- **Monitoring of Payments:** The individual client accounts held on CareStore should be updated for all payments made to the individual and should be checked prior to completing the RFF to ensure there are sufficient funds available. Interim procedures have requested that LCT officers update their own cases but this has not been applied consistently. The limited testing completed identified that the payment record had not been completed and needs to be addressed in the review of procedures. The monitoring officer clears all authorised RFF from the team site and it would therefore be timely and appropriate for this officer to be responsible for updating the records, although the team will need to consider an alternative to cover absence. There was no evidence that a child has exceeded the £2,500 limit for leaving care grant to initiate the additional authorisation. The monitoring officer is creating a central log of payments to allow reconciliation to the main accounting system and achieve more effective monitoring of the grants and allowances paid to each child. Improvements have been made to the monitoring function but as all elements are work in progress this is considered as partially outstanding.
- **Reconciliations:** The team had worked with Finance to attempt reconciliation between the monitoring records held on CareStore and the Authority's main accounting system (ORACLE). The monitoring officer is working from a Discoverer report generated from ORACLE to create a central log for all LCT grants and allowances which will then allow effective reconciliation. It was previously reported that expenditure was being coded to a default code when the client "T code" was not specified. It is accepted that payments through CareFirst have to be transferred manually as there are insufficient characters in the expenditure code field, however for purchase cards and petty cash payments when the expenditure code is input manually the T code should always be utilised. For 2014-15, £87,247 was allocated to the default code of which £21,483 related to purchase cards and £4,015 related to cash payments. £37,480 was leaving care grant funding that must be allocated to the specific child for effective monitoring. Progress is being made to implement this recommendation but as the work is still in progress it is partially implemented.
- **Pathway Plans:** For the sample of 5 clients, 2 had a completed Pathway Plan within 6 months of their 16th birthday and 6 monthly reviews thereafter. For 3 of the cases the review exceeded 6 months but it is acknowledged that these related to 2011 and 2013. The Group Manager monitors the outstanding Pathway Plan reviews via a Business Objects report available daily. As at 1.6.15 there were 54 cases overdue of which 13 were more than 2 months overdue.

Insufficient progress has been made on this recommendation and it is therefore partially implemented.

- **Storage space:** The Group Manager has convened a working party to review the storage needs of the LCT, this will include updating the inventory, consider disposal of items and establish a policy for storage. The need does fluctuate as LCT clients are moved out of their accommodation and require support until they can be rehoused. The existing storage is currently full thus supporting the need for the size of the unit at a monthly cost of £355 with a company, however there has been no comparative costing or exploration of options to evidence value for money. The recommendation is therefore outstanding.
- **Purchase Card:** The outstanding purchase card transactions for the previous monitoring officer are being reviewed, validated and allocated but without adequate supporting documentation this has been a lengthy process. The original recommendation related to the need for all purchase card expenditure to be updated to the client payment record. Follow up testing has shown that for a sample of 5 transactions in February and March 2015, 1 was supported by an authorised Request for Finance (RFF) and satisfactorily updated to the client payment record. However issues were identified for the other 4 cases tested; no RFF evidenced, RFF authorised after the purchase date, unique client T number not included in the expenditure code, value on the payment record did not agree to the actual value and inconsistency with recording vat. All of these issues will need to be addressed by revised procedures to be rolled out to LCT officers. The recommendation is considered partially implemented as the payment records had been updated to record expenditure against the leaving care grant.
- **Cash Security:** It was previously reported that the new procedures effective from the 9.3.15 would not allow cash holdings to be retained in the LCT for more than 24 hours. The monitoring officer has introduced a record of all deposits and issues to support the cash held in the LCT safe. An audit check on the safe 28.5.15 evidenced 3 entries for a total cash value of £155 not in the safe. An envelope for £10 cash was recorded as issued. Clearly this record is not effective and should be extended to include officer's signature to ensure accountability. Seven of the cash holdings related to withdrawals exceeding 1 week and should have been returned to the main imprest. The safe check also reconciled the food vouchers held and evidenced that there were £505 unused vouchers but the record showed £485. The difference indicates a lack of control for the distribution of vouchers. This recommendation has been partially implemented
- To summarise, the findings of the follow up review are that 1 priority 1 has been fully implemented, 6 are partially implemented, 2 are outstanding and a new recommendation relating to the management of the imprest has been identified. In our opinion we are satisfied that satisfactory progress is being made in implementing these recommendations.

3.7 Looked After Children

3.8 The audit review was finalised in May 2014, identifying two priority 1 findings that have been reviewed for previous audit sub meetings to update on the progress to implement the recommendations relating to payment authorisation and timely completion of assessments and reviews. Interviews with the Head of Service and the Group Manager for Looked After Children (LAC) documented the procedural changes and sample testing evidenced the progress. Liberata and the Exchequer Manager were asked to update on the recovery of funds for the two overpayments to a foster carer, initially identified in this audit, the second overpayment identified in the Family Placements audit.

3.9 The £21.5K overpayment is still outstanding and as at May 2015 the monthly repayment of £25 per month stopped after March 2015 when the foster carer's application was rejected. The debtor had made 7 monthly payments of £25 and two payments of £538.98 and £916.92 in

November and August 2014 respectively, these were transferred by Children's Social Care, being professional fees for another placement, prior to the foster carer status being withdrawn. Bromley's Exchequer Manager has sought legal advice to progress this case through to court proceedings and is waiting for background papers requested from the service. Once the information is available legal and exchequer officers will consider the most appropriate course of action. This case has highlighted weaknesses in debt recovery and prompted a planned audit review of ECHS debts in 2015-16.

- 3.10 Previous audit follow up to this recommendation evidenced that a movement form was developed within CareFirst to alert Commissioning of a change in circumstance for a LAC and therefore stop the payments and mitigate the risk of any overpayment. The Head of Service confirmed that although an alert is still sent to the Commissioning desktop, the CareFirst form did not work but will be developed as part of the Eclipse application due to go live April 2016. Audit testing for the Family Placements follow up has indicated that the level of overpayments has reduced. A sample of 5 LAC cases was selected to evidence that the placement had been authorised in a timely manner. For 4 of the cases an authorised funding sheet was in place, although 2 were both 3 weeks after the placement had started. For 1 in house fostering placement, ongoing from the 5.3.15, the funding approval was missing and had not been identified by the controls in the Commissioning Team.
- 3.11 Without significant progress on recovery of the overpayment and the results of the sample testing, the priority 1 recommendation for timely authorisation of funding approval will remain as outstanding.
- 3.12 The second recommendation related to the timely completion of assessments and reviews as required by the Care, Planning, Placement & Case Review Regulations 2010. The sample of 5 LAC cases, selected for audit examination, was reviewed with the Group Manager. Two cases were correctly supported by care and placement plans, completed within agreed timescales. Two cases did not have the required care plan but did have the placement plan. For the last case checked the care plan was completed 4 weeks after the child was placed in care, the placement plan 1 week after the child was placed. The priority 1 recommendation will remain outstanding to be reviewed during the follow up report.

3.13 **Building Maintenance-**

The department must comply with the requirement 1.2 and 8.1.3 of the Contract Procedure Rules. "Officers shall not sub divide work which could reasonably be treated as a single contract." "The total estimated value of orders for a given type of goods, services or works should where ever practicable be amalgamated for the purpose of determining procurement procedures."

There was a priority one recommendation to review the practices and procedures and to identify cumulative spend with individual suppliers. Where spend exceeds limits indicated in Contract Procedure Rules quotes or tenders should be sought. The audit follow up has shown that:

- A sample of 15 planned projects and reactive projects was reviewed to ensure Financial Regulation and Contract Procedure Rules were complied with. Tender procedures were followed where applicable: the only exception being 4 projects where alternative actions were considered, i.e. the waiver process was used. We therefore consider this recommendation to be implemented.

- 3.14 **Creditors-** the original Internal Audit report identified that there was a significant number of orders that were raised retrospectively. A 'retrospective purchase order' report was run in May 2013 that showed that after adjustments there were 3,290 orders that had been made in the period 30/01/13 to 30/05/13, with two thirds of these attributed to 30 officers. Raising orders is crucial to committing expenditure for accounting purposes as well as verifying goods received to

what was ordered. A recent audit has shown that there is still an issue with raising retrospective orders. For the period 01/01/14 to 31/01/15, 8,981 raised or 691 per month. The summary of results shows there has been a slight decline, but would state that the 691 per month is still too high. It was also found that 30 officers (not necessarily the same as previous) are responsible for two thirds of retrospective orders. Officers have been reminded to raise orders at the time of commitment to spend, however, given only a slight decline in the number of retrospective orders, the Head of Audit has raised this at a meeting of Directors to make them aware and request that action is taken. This priority one recommendation is still outstanding.

3.15 Rent Arrears –Emergency Accommodation – The priority one finding on rent arrears was made in 2011-12. A recent audit concluded that this recommendation has not been implemented. The current stated rent arrears is in total £3,571,107 for both current and former clients. Specifically procedures are not sufficient to recover former B&B and Travellers client's arrears and those for current and former Leaving Care, Orchard and Shipman and CCLU clients. Procedures are in place for the recovery of B&B rent arrears and have recently been created for Travellers. However it is apparent that limited action has been taken to recover arrears from former tenants. Management have stated, that greater emphasis is placed on recovering the debt whilst the client is still in temporary accommodation as it is always more difficult to recover money from former tenants due to the problems in tracing them once they have left. However, wherever possible, recovery action against former tenants is still pursued. The arrears figures for B&B clients have increased to £2million on 10/01/15 and for non B&B clients the increase to £1.5 million in December 2014. This is in part due to a delay in reconciling Orchard and Shipman rent received. This report has not covered the Orchard and Shipman element of balances held and is subject to a separate ongoing audit in quarter 1 of 2015/16. It was also noted that arrears identified for write off have not been actioned which distorts the figures quoted in this report. £188k was written off in March 2015. Arrears identified for write off, are now being authorised and submitted on a monthly basis. However, the recommendation relating to rent arrears is still outstanding.

3.16 Transition Team- a priority one recommendation in respect of overpayments and underpayments on a sample of direct payment cases that was reported to this Committee and will be followed up for the next meeting.

3.17 Review of Essential Car Users- This audit was part of the 2013/14 Internal Audit plan and the findings below have been subject to discussion at Directors' meetings. Our audit identified three priority one findings in relation to a number of essential car users who had claimed little or no mileage since the review of the scheme in November 2012, the need to check eligibility to drive cars for business purposes and having a car for use and the need to review criteria to prevent anomalies. The scheme is to be phased out commencing in 2016/17.

- Review the eligibility criteria for essential car user- we have been informed by management that they are due to meet to discuss essential car user criteria specifically in relation to car parking.
- A sample review of those 16 officers on essential car users who had not incurred any mileage showed that 7 had still not incurred any mileage over a 12 month period with a further 4 who had left ; 2 that had been stopped following information given to HR and 3 where some mileage had been claimed by officers. We have been informed by management that this will also be reviewed at the same time as they discuss eligibility criteria.
- Driving cars for business use i.e. essential car users (and casual users) should be checked that they have adequate insurance cover and a valid driving license. Following discussions with senior management and a member of this Committee we have been informed that a draft 'Driving at Work' procedure has been produced and will be issued after consultation.

- Although some progress has been made we consider these three priority one recommendations are still to be implemented. An update will be reported to the next cycle of this Committee.
- 3.18 **New Priority One- Domiciliary Care-** an audit review of this service identified two priority one recommendations as detailed below:
- 3.19 Service Agreements closed on incorrect dates and also non closure-Sample testing showed that at the time of the audit, out of the sample of 44 cases selected for review, issues arose in 14 cases in relation to the dates of service and in one case non-closure. In some cases it was found that as a result overpayments have arisen. When notification of the death is received it should be input without delay however this does not seem to have happened in cases highlighted.
- 3.20 Discussions took place with management at the time of the audit and it was confirmed that there were no controls in place to prevent an agency from continuing to charge for a deceased client especially in the absence of a client contribution being made. This was also confirmed by contractors' staff. It was confirmed that the Brokers have advised that their instruction from Finance is always to end the service agreement at the date of the Sunday before the notification. Enquiries were not able to establish where this instruction originated. It was also confirmed via email that the Brokers are contacting staff at the contractor to ask when the services should be ended for our clients. Contractor staff confirm the date the last invoice was paid and it seems that services are ended on the following Sunday.
- 3.21 Enquiries were made with the Commissioning Team and it was confirmed that there is no specific contractual notice period for the termination of domiciliary care packages. Additionally, it was found that there was no policy regarding the termination (temporary or permanent) of domiciliary care provision when a client is taken into hospital
- 3.22 Extra Care Housing – Actual Hours Reconciliation
- 3.23 Concerns had been raised by the Operations Manager, Care Services, regarding actual hours delivered being different to planned hours within the Extra Care Housing service. This concern related to three of the Extra Care Housing units; Crown Meadow Court, Regency Court and Sutherland Court. These cases are over and above the selected sample. There is no verification of the individual care hours provided to clients. Reliance is placed upon the client or client's family to query any differences. A copy of these queries have been submitted to the Auditor detailing errors in the hours for various reasons across three Extra Care Housing units
- 3.24 An officer had been tasked with highlighting differences. Queries were highlighted to the Auditor and spreadsheets were provided for week ending 28-9-14. These spreadsheets highlighted differences in hours across each of the units against the care plan held by the unit or compared to those held on Carefirst.
- 3.25 It should be noted that in some cases an adjustment of hours had not been updated onto Carefirst.
- 3.26 There were six other priority two recommendations- covering obsolete procedures; missing or incomplete support plans; service agreements on Carefirst remained open beyond the maximum period in respect of the Reablement Service; excessive customer account balances; a refund made to incorrect payee; and a duplicated customer account identified.
- 3.27 A limited assurance opinion was given as a result of the findings. Management have indicated that they accept these recommendations for implementation as soon as possible.
- 3.28 **Audit Activity-** Internal Audit activity for 2014/15 is summarised in detail under the Annual Audit Report of this agenda. Internal Audit have spent most of our time since the last progress report

in March 2015 completing audit work from the 2014/15 Internal Audit plan, conducting fraud and investigation work and assisting management with their inquiries-(details of this work are in Part 2). Given the short period of time to report on 2015/16 activity i.e. just one month, we will as in previous years inform Members of this committee of our half yearly progress in October 2015. In addition to audit planned work we also carried out the following:

- Fraud and investigations.
- Advice and support on Financial Regulations, variations to change in system controls.
- Liaison role in assisting management inquiries and other fraud cases that appear in part 2 of this agenda.
- Monitoring role of the Greenwich Fraud partnership.
- Liaison work with our external auditors in preparation of their audit of the 2014/15 accounts
- Committee work

3.29 **Publication of Internal Audit Reports-**

3.30 At the last meeting of this Committee we reported our fourth batch of Internal Audit reports finalised since March 2014 that was published on the web. In total 64 reports were publicised on the web. We gave explanations for seeking exemptions from publicising for one report- Investigation into Penalty Charge Notices. We are not seeking exemptions for this cycle.

3.31 Since the last cycle of this Committee we have published a further 12 redacted final reports making a total of 76 since publications first started.

- Follow Up Audit for Appointeeship & Deputyship 2014-15
- Gifts and Hospitality Follow-up Report 2014-15
- Housing Needs Final Report 2014-15 redacted
- Final Domiciliary Care Report for 2014-15
- Final Report for Welfare Fund Audit 2014-15
- Final Report Red Hill 2014-15
- Staff Car Parking Follow-up Report 2014-15
- Treasury Management Final Report 2014-15
- Review of Waste Management 2014-15
- Review of Creditors 2014-15
- Capital Projects Audit 2014-15
- Review of VAT2014-15

3.32 **Auditor of the Year** - this is an annual award made to an auditor by Members of this Committee. There is only one auditor (JN) being put forward for this award in respect of notable pieces of work carried out in 2014/15.

- 3.33 JN is currently completing his professional studies which have been combined with his normal Internal Audit work. There are two audits that deserve mention- Review of Purchase Cards- where there were three priority one findings and a number priority two recommendations. The audit identified potential losses in unclaimed VAT, poor practices in respect of retaining receipts and sub dividing expenditure. These recommendations have been implemented resulting in claiming backdated VAT and more importantly an awareness to maximise VAT going forward; scanning of receipts and reports that identify sub dividing of expenditure. This audit has undoubtedly added value to the organisation both in terms of increasing management awareness for tighter controls and maximising income through VAT claw back. In the second audit on IT Licenses and Asset Register JN identified that Bromley were overpaying for key fob licenses –paying for more licenses that staff in post. As a result of a tendering exercise based on a reduced number of key fob licenses it was found that the cost going forward was about £8K less per annum than prior to the audit. JN has also carried out an investigation on misuse of a mobile phone, supports the drive towards implementing web based interactive training and has managed to complete his portfolio of work carrying out his assignments with professionalism and due diligence.
- 3.34 **Value for Money Arrangements-** We had previously reported that we rolled over three reviews of VfM arrangements due to time spent on investigations. Two of these i.e. Family Placements and Temporary Accommodation has been completed and reported previously to this Committee. The third audit on Planning Enforcement is currently ongoing and has not been completed to report VfM arrangements for Planning Services to this Committee.
- 3.35 With the reduction in resources and the commissioning out of services we are proposing to carry out reviews of VfM arrangements for the following audits– Youth Offending Team and SEN.
- 3.36 **Housing Benefit Update**
- 3.37 Members had previously been informed that the proposed move by the DWP towards a Single Fraud Integrated Service (SFIS) will now occur on the 1st July 2015. Migration of data started on the 1st June 2015 which now means that any new allegations of housing benefit fraud will be referred to SFIS and any work in progress cases will also be passed on to them. RB Greenwich will only conclude cases where a summons has been issued prior to transfer.
- 3.38 As previously reported we intend to carry on with our fraud partnership with RB Greenwich for which we have already sought a waiver effective from 1st April 2015. The partnership now entails employment of 2 FTEs to cover off all LB Bromley related fraud and pro-active exercises. The 2 staff will be managed by RB Greenwich. The fraud partnership with RB Greenwich has been successful since its inception in 2002
- 3.39 Since the commencement of the partnership in April 2002, through to May/June 2015, the Council has successfully prosecuted 399 claimants to date for benefit fraud; issued 363 court summonses; given 104 formal cautions; and administered 424 penalties. The full details and appendices on trends are shown in Appendices B, C and D. Given the transfer of housing benefit fraud to SFIS this will be the last reporting of these statistics. It is our intention to record all referrals to SFIS and attempt to ascertain progress.
- 3.40 **Other-** We have appointed an experienced Internal Auditor to one of the vacancies who has now taken up post. We have a 0.5 FTE vacancy – although this is reflected in reduced planned days within the 2015/16 Internal Audit Plan it is compensated by days saved as a result of no longer carrying out sold services.
- 3.41 **Risk-**the main focuses on risk has been the production of the Annual Governance Statement that appears in full in the Annual Audit report on this agenda and our ongoing work with Zurich.

3.42 Zurich Municipal have been tasked to carry out a Public Health Risk and Insurance review and to develop a Risk Development Road Map which will potentially identify areas for improvement in our risk management systems. The Public Health review has now been completed and a report has been issued to the Director of Public Health for comment.

3.43 The draft Public Health report was based on a review comprising:

- Public Health documents review
- Key stakeholder workshop
- Feedback session to agree and refine findings

3.44 The review identified 3 areas for potential financial claims which should be reviewed against existing insurance cover:

- The impact of a pandemic on provided services
- Pharmaceutical Needs Assessment
- Individual Funding Requests

3.45 Zurich concluded that from a risk register perspective it is apparent that there is good level of understanding and awareness of the risks faced by Public Health. In order to support this risk awareness they have identified a number of areas for potential consideration and inclusion in the risk register: information governance; integration with the Council; contract management; and succession planning.

3.46 The report has requested that the Public Health Team consider the findings and take action where appropriate; and a discussion between Zurich and Bromley's Insurance Team, to consider contingent liability levels and the diagnostic activities of contractors (which are excluded from the Public Liability policy).

3.47 The Risk Development Road Map – the initial phase of this project has been completed by Zurich and presented to the Corporate Risk Management Group. There is an acceptance by Zurich that the current risk register is sound but there may be benefits in exploring an efficient exception based reporting system; having a consistent and robust risk management process; improved risk awareness and risk based decision making; and greater visibility and understanding of the impact of departmental risks on the strategic risk register.

3.48 This phase has reviewed risk reporting arrangements with the focus being on reporting new risks, significant risk changes, mitigation exceptions and reporting on risks with strategic risk register (i.e. corporate risks) implications. Zurich has also proposed a revised risk matrix that should it be accepted by management would result in fewer high risks as these would have to have major/catastrophic impact coupled with a probable/highly probable likelihood of occurrence. This exercise is ongoing with Zurich proposing that they attend the DMT for each directorate to explain and seek backing for their proposals.

3.49 On completion of the Zurich exercise we will produce in conjunction with Learning and Development (HR) a new e-learning package to produce an online tutorial for risk management. The aim is to provide a 30 to 40 minute interactive package that officers can access and complete in their own time.

3.50 We will report the outcome of this phase at the next meeting of this Committee.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports mentioned above will have financial implications.

6. LEGAL IMPLICATIONS

There is a statutory requirement to provide an internal audit function through the Accounts and Audit Regulations 2011.

7. PERSONNEL IMPLICATIONS

Staff in breach of financial rules and procedures or acting inappropriately against the Council's legal and financial interests may be subject to disciplinary actions or/and police investigations.

Non-Applicable Sections:	Policy implications
Background Documents: (Access via Contact Officer)	Published internal audit reports on the web are discussed in this report